

Budgeting for Home Maintenance and Repairs

A general rule of thumb for smart budgeting is to set aside at least 1% of your property's purchase price each year for maintenance. However, if your house is not in the best shape or you're expecting a lot of repairs to be needed over the course of ownership then you may want to increase your savings to 3% or 4%. Here is a breakdown:

| HOME PRICE | MAINTENANCE RESERVES |
|------------|----------------------|
| \$300,000 | \$3,000 - \$12,000 |
| \$500,000 | \$5,000 - \$20,000 |
| \$700,000 | \$7,000 - \$28,000 |
| \$ 1M + | 10,000 - 40,000 |

Here are some factors to consider when making your budgeting decision.

Type of Home

Single-family homes require a larger maintenance budget than condos, town houses or duplexes. Obviously, the larger the property, the higher repair costs will be for major components like a roof or HVAC system.

Age of Home

A home built within the last 10 years don't often require very much maintenance. Homes that fall within the 10 to 20 year old range usually need a moderate amount of repairs. Its homes that are 20 years and older that need the most maintenance. If major items haven't been replaced yet, like a roof, furnace or hot water heater, chances are they'll need to be serviced or repaired sometime soon.

Overall Condition

Every homeowner has a different level of care and involvement with the upkeep of their property.

There are some homes that are more than 100 years old and in excellent condition because the previous owner(s) maintained them well. Then, there are other houses that may be a lot newer, but are falling apart everywhere you look because of poor maintenance and neglect.

If your home was maintained well by previous owners, then you're repair costs shouldn't be out of the ordinary. However, if your house didn't get the love and attention it deserves before you took ownership, you may have to budget higher for it.

Location

The location of your home can impart different environmental stresses that may require higher maintenance.

For example, a house located near the Oceanside can be harsh from the salty, coastal air, causing extra mildew both outside and inside your home and salt corroding metal components. A house located in a floodplain has a higher risk of water damage than one on top of a hill. And a rural property surrounded by lots of trees will need more exterior maintenance in the fall when the leaves drop. All these factors need to be considered for a maintenance budget.

Once you have a realistic starting number, then you can start adding in the 10% for each additional factor that adversely affects your property.

If you didn't change the oil in your car on a regular basis, the oil eventually gets dirty, clogs and could cause serious engine damage. Same holds true for your home. By budgeting for home maintenance and creating a yearly preventative maintenance schedule you can drastically reduce cost and avoid long drawn out homeowner insurance claims by preventing a disaster before it happens.